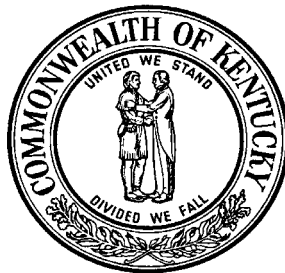


**REPORT OF THE AUDIT OF THE  
FORMER LINCOLN COUNTY  
CLERK**

**For The Period  
January 1, 2005 Through March 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER LINCOLN COUNTY CLERK George O. Spoonamore, III (Deceased)**

**For The Period  
January 1, 2005 through March 31, 2005**

The Auditor of Public Accounts has completed the former Lincoln County Clerk's audit for the period January 1, 2005 through March 31, 2005. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees of \$5,949 were due to the county as of March 31, 2005.

#### **Deposits:**

On March 31, 2005, the former County Clerk's deposits were uninsured and uncollateralized in the amount of \$105,027.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald W. Gilbert, Lincoln County Judge/Executive  
Honorable George O. Spoonamore, IV, Lincoln County Clerk  
Members of the Lincoln County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Clerk George O. Spoonamore, III (Deceased) of Lincoln County, Kentucky, for the period January 1, 2005 through March 31, 2005. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former County Clerk's office prepared the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Clerk for the period January 1, 2005 through March 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2006, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ronald W. Gilbert, Lincoln County Judge/Executive  
Honorable George O. Spoonamore, IV, Lincoln County Clerk  
Members of the Lincoln County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Lincoln County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
June 21, 2006



LINCOLN COUNTY  
 GEORGE O. SPOONAMORE, III, FORMER COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2005 through March 31, 2005

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 179,800
Usage Tax	184,075
Tangible Personal Property Tax	488,004

Other-

Fish and Game Licenses	1,622	
Marriage Licenses	1,277	
Deed Transfer Tax	13,520	
Delinquent Tax	22,193	\$ 890,491

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	4,160
Real Estate Mortgages	9,020
Chattel Mortgages and Financing Statements	16,166
Powers of Attorney	1,204
All Other Recordings	6,103

Charges for Other Services-

Copywork	306	36,959

Other:

Notary Fees	1,814	
Lien Fees	1,679	
Miscellaneous	846	4,339

Interest Earned

412

Total Revenues

932,201

The accompanying notes are an integral part of this financial statement.

LINCOLN COUNTY  
 GEORGE O. SPOONAMORE, III, FORMER COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For the Period January 1, 2005 through March 31, 2005  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 142,497

Usage Tax 178,549

Tangible Personal Property Tax 177,294

Licenses, Taxes, and Fees-

Delinquent Tax 3,049

Legal Process Tax 4,868 \$ 506,257

Payments to Fiscal Court:

Tangible Personal Property Tax 44,873

Delinquent Tax 14,455

Deed Transfer Tax 12,844 72,172

Payments to Other Districts:

Tangible Personal Property Tax 246,538

Delinquent Tax 11,233 257,771

Payments to Sheriff

276

Payments to County Attorney

3,381

Operating Expenditures:

Personnel Services-

Deputies' Salaries 49,191

Employee Benefits-

Employer's Paid Health Insurance 9,680

Contracted Services-

Fish and Game 1,545

Copier Lease 1,924

Maintenance Contracts 583 4,052

Materials and Supplies-

Office Supplies 3,443

Other Charges-

Refund Expense 556

Postage 1,200 1,756

Total Expenditures

\$ 907,979

The accompanying notes are an integral part of this financial statement.

LINCOLN COUNTY  
GEORGE O. SPOONAMORE, III, FORMER COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For the Period January 1, 2005 through March 31, 2005  
(Continued)

Net Revenues	\$ 24,222
Less: Statutory Maximum	<u>17,373</u>
Excess Fees	6,849
Less: Expense Allowance	<u>900</u>
Excess Fees Due County for the Period January 1, 2005 - March 31, 2005	5,949
Payment to Fiscal Court - December 31, 2005	<u>4,344</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 1,605</u></u>

The accompanying notes are an integral part of this financial statement.

LINCOLN COUNTY  
NOTES TO FINANCIAL STATEMENT

March 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at March 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for January through March services
- Reimbursements for January through March activities
- Payments due other governmental entities for March tax and fee collections and payroll
- Payments due vendors for goods or services provided from January through March

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LINCOLN COUNTY  
NOTES TO FINANCIAL STATEMENT  
March 31, 2005  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former County Clerk did not have a deposit policy for custodial credit risk, but rather followed the requirements of KRS 41.240(4). The former County Clerk did have a properly executed collateral security agreement; however, as of March 31, 2005, the former County Clerk's deposits were exposed to custodial credit risk as follows:

- Uninsured and Unsecured - \$105,027

LINCOLN COUNTY  
NOTES TO FINANCIAL STATEMENT  
March 31, 2005  
(Continued)

Note 4. Lease

The office of the County Clerk was committed under a 60-month lease agreement with Pitney Bowes for a postage machine. The lease agreement requires a monthly payment of \$132 through June 30, 2006. The remaining principal balance of the lease agreement was \$1,980 as of March 31, 2005.

In addition, the office of the Lincoln County Clerk has two lease agreements with Bamill, LLC d/b/a Office Equipment Rental Company (a related party) for copiers for the County Clerk's office. One lease agreement requires a monthly payment of \$313 for 24 months ending on February 1, 2006. The second lease agreement requires a monthly payment of \$329 for 48 months ending on October 1, 2006. Accordingly, the remaining principal balance under these two lease agreements was \$9,687 as of March 31, 2005.

Note 5. Grant

The former County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$8,780 during 2004. These funds were transferred to the incoming clerk and spent during 2005.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald W. Gilbert, Lincoln County Judge/Executive  
Honorable George O. Spoonamore, IV, Lincoln County Clerk  
Members of the Lincoln County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Lincoln County Clerk, George O. Spoonamore, III (Deceased) for the period January 1, 2005 through March 31, 2005, and have issued our report thereon dated June 21, 2006. The former County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Lincoln County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Lincoln County Clerk's financial statement for the period January 1, 2005 through March 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report on Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
June 21, 2006

